

Grace Cottage Hospital FY 2016 Budget Narrative

A. Executive Summary

Grace Cottage Hospital's biggest challenges thus far in FY2015 centered around staffing challenges in both the inpatient unit and physician practice.

In the past, we have rarely had to rely on Travelers (agency nurses), however during most of FY2015 we have had four of our nursing positions covered by Travelers. We have also experienced several occasions of having to limit admissions due to being short staffed. This has directly affected the projected revenues vs. budget. We are currently on track to be down to no more than two Travelers by the start of the FY2016.

In the physician practice, we had budgeted for positions to be filled for the entire fiscal year that were not.

- A full-time Family Physician, that although we were able to sign a contract with in December, 2014, he is not scheduled to start until August, 2015.
- A Clinical Social Worker that we expected to start seeing patients at the beginning of the fiscal year, and did not start seeing patients until February, 2015.
- A Physician Assistant budgeted to be a 1.0 FTE that was a 0.80 FTE
- Another Physician Assistant that spent a quarter of his time covering shifts in the Emergency Department.

With two Nurse Practitioners that started in June, 2015 and the Family Physician arriving in August, 2015, we should be at full staffing as of the start of FY2016 and on track to meet the budgeted revenues.

Grace Cottage's Board and Management continue to work to keep a pulse on the ever-changing world of healthcare, both in Vermont and Nationwide. We strive to recognize and react to these changes to assure Grace Cottage remains a viable institution available to serve the critical needs of our community.

B. Health Reform Investments

As a participant in OneCare Vermont Accountable Care Organization, our FY2016 budget includes the OneCare Participant Fee being assessed our institution of \$123,000 (an increase from \$39,000 in FY2015).

Additionally, it also includes the half-time position instituted in the FY2015 budget for the purpose of data abstraction and reporting required by OneCare.

Grace Cottage Family Health is striving to increase its certification level as a Patient Centered Medical Home when it recertifies in 2017.

C. Overall Budget to Budget Net Patient Revenue Increase

The total budgeted Net Patient Care Revenue submitted for FY2016 is a 2.2% increase over the FY2015 budget – well below the 3.0% GMCB target.

The FY2016 budget is for the most part based on current utilization levels, with the exception of Physician Practice and Outpatient Ancillary. Based on the full Physician Practice staffing level as described above, we have budgeted both Physician Practice revenue and related Outpatient Ancillary revenues accordingly.

Reimbursement assumptions are based on our current reimbursement rates, with the exception of Blue Cross and Blue Shield of Vermont. We will be negotiating a significant increase in our reimbursement rates from Blue Cross and Blue Shield when we negotiate our 10/01/2015 contract amendment to reflect a fair reimbursement level.

D. Rate Request

Grace Cottage is requesting an across-the-board rate increase of 5.25% for Hospital charges and a 4.0% increase for Physician Practice charges – for an overall weighted rate increase of 5.0%.

Due to our varying reimbursement methods this adds very little net patient revenue to the bottom line. Medicare reimburses us at 1% above cost for our hospital services and at cost for most physician services. Medicaid reimburses at less than cost for both hospital and physician services. Commercial payers pay at either a fee schedule or a percentage of charges.

E. FY2014 Budget to actual overages results

N/A

F. Capital Budget Investments

The largest single investment in our FY2016 budget is \$250,000 for installation of water source heat pumps in our older buildings which house our physician practice. This would be a significant energy efficiency project to replace steam boilers and air conditioning units.

Other items included in the FY2016 budget include equipment replacement and continued infrastructure upgrade in the Information Technology and Services area.

The one significant item included in years 2017-2019 is listed in 2017. This would be \$1m for a facility upgrade/renovation to our existing Emergency Department. Included in the upgrade/renovation would be construction of a “safe room”, added privacy for exam rooms, changes to the entrance so patients no longer walk in directly in the middle of two emergency department bays, as well as observation beds.

G. All Outpatient Visits

Grace Cottage defines the statistic “outpatient visits” as all outpatients arriving at Grace Cottage Hospital for any outpatient ancillary services other than a physician practice visit.

This would include laboratory, diagnostic imaging (bone density testing, diagnostic x-ray, CT scan, and ultrasound), emergency department, EKG, rehab (physical, occupational, and speech therapy), blood transfusions, and IV infusions.

H. Federal Guidelines around Community Health Needs Assessments (CHNA)

Grace Cottage is currently conducting its 2015 Community Health Needs Assessment. Grace Cottage anticipates completing its Community Health Needs Assessment Report by July 30, 2015, and an Implementation Plan by September 30, 2015.

I. Technical Concerns

We do not have any technical concerns with the submission of the FY 2016 budget.